

CITY OF ALVIN

**ORDINANCE NO. 22-MM
AUTHORIZING THE ISSUANCE OF**

**CITY OF ALVIN, TEXAS
WATER AND SEWER SYSTEM
REVENUE BONDS
SERIES 2022**

Adopted: July 7, 2022

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Exhibit A – Form of the Bonds

ORDINANCE NO. 22-MM

ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF ALVIN, TEXAS, WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2022; APPROVING RELATED AGREEMENTS; APPROVING THE PREPARATION AND DISTRIBUTION OF AN OFFICIAL STATEMENT; AND ENACTING OTHER PROVISIONS RELATING THERETO

THE STATE OF TEXAS §
COUNTY OF BRAZORIA §

WHEREAS, City Council of the City of Alvin, Texas (the “City Council”) finds and determines that the City of Alvin, Texas (the “City”) is authorized by Chapter 1502, Texas Government Code, as amended (the “Act”), to issue bonds payable from the net revenues of its water and sewer system to provide funds to acquire, purchase, construct, improve, renovate, enlarge or equip such system; and

WHEREAS, the City Council hereby finds and determines that the issuance and delivery of the bonds hereinafter authorized is necessary and in the public interest and the use of the proceeds in the manner herein specified constitutes a valid public purpose; and

WHEREAS, the City Council finds and determines that it is necessary and in the best interest of the City and its citizens that its bonds shall be issued to pay for (i) costs related to acquiring, constructing, improving, equipping and extending the System (as hereinafter defined), and (ii) the costs of issuing the Bonds (as hereinafter defined), which the City Council hereby determines to be necessary and feasible, all in accordance with the Constitution and general laws of the State of Texas, particularly the Act; and

WHEREAS, the meeting at which this Ordinance is being considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code; now, therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ALVIN, TEXAS:

ARTICLE I

FINDINGS AND DETERMINATIONS

Section 1.1 Findings and Determinations. It is hereby found and determined that the findings and recitations set out in the preamble to this Ordinance are found to be true and correct and they are hereby adopted by the City Council and made a part hereof for all purposes.

Section 1.2 Approval and Authorization. The City Council approves the following provisions and authorizes the Mayor or Mayor Pro Tem, the City Manager, the Chief Financial Officer, the City Secretary and other appropriate officials of the City to execute all necessary documents relating thereto or in furtherance thereof.

ARTICLE II

DEFINITIONS AND INTERPRETATIONS

Section 2.1 Definitions. In this Ordinance, the following terms shall have the following meanings, unless the context clearly indicates otherwise:

“Act” means Chapter 1502, Texas Government Code, as amended.

“Additional Parity Obligations” means all Parity Obligations hereafter issued or incurred by the City pursuant to Article VII.

“Annual Debt Service Requirements” means, for any fiscal or calendar year, an amount equal to the Debt Service of the particular Parity Obligations for which computation is being made, which will become due and payable during such annual period.

“Authorized Officer” means the City Manager or the Chief Financial Officer of the City (or the person performing the duties of the City Manager or Chief Financial Officer), who is authorized to act on behalf of the City in selling and delivering the Bonds, or such other officers of the City as designated in writing.

“Average Annual Debt Service Requirements” means the quotient obtained by dividing (i) the sum of the Debt Service of the particular Parity Obligations for which computation is being made which, on the date of such computation, are Outstanding within the meaning of this Ordinance from the date of computation to the date such Parity Obligations are to be paid by (ii) the number of years (or fractions thereof) from the interest payment date next preceding the date of computation to the date of final maturity of such Parity Obligations.

“Balloon Obligations” means Parity Obligations of a particular issue or series of Parity Obligations of which 25% or more of the principal or maturity amount of the same issue or series matures in the same year and is not required to be amortized below such percentage by payment or redemption prior to that year. An ordinance authorizing the issuance of Parity Obligations to be treated as Balloon Obligations shall designate such Parity Obligations as Balloon Obligations. Parity Obligations that include a put feature, a stepped-up interest rate and call right, or other similar obligation or right and incentive to refund may be treated as Balloon Obligations maturing in the year of the put, stepped-up interest rate, or other incentive if such Parity Obligations are designated as Balloon Obligations in the ordinance authorizing their issuance.

“Base Period” shall have the meaning ascribed thereto in Section 7.2 of this Ordinance.

“Blanket Issuer Letter of Representations” means the Blanket Issuer Letter of Representations between the City, the Paying Agent/Registrar and DTC.

“Bond” or “Bonds” means the City of Alvin, Texas, Water and Sewer System Revenue Bonds, Series 2022 authorized by Section 3.1 of this Ordinance.

“Bond Counsel” means Bracewell LLP.

“Business Day” means any day which is not a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close.

“City” means the City of Alvin, Texas or the City Council of the City acting in its official capacity.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Comptroller” means the Comptroller of Public Accounts of the State of Texas.

“Dated Date” means July 1, 2022.

“Debt Service” means, for any given period, the principal of, premium, if any, interest and other payments on the Parity Obligations scheduled to become due and payable during such period subject to the following special rules:

(a) Debt Service shall exclude interest which has been capitalized or for which amounts have been set apart in a dedicated fund or account;

(b) Interest accruing on Parity Obligations issued as capital appreciation bonds or capital appreciation notes shall be treated as principal payable at maturity of such bonds or notes;

(c) Interest (other than on capital appreciation bonds or notes) shall be deemed to accrue monthly and principal also shall be deemed to accrue monthly but only during the twelve months immediately preceding any scheduled principal payment (or during such shorter periods as may be appropriate if principal payments are more frequent than every twelve months);

(d) Debt Service shall be calculated on the assumption that no Parity Obligations will cease to be Outstanding except by reason of payment on their scheduled payment dates, unless the City has affirmatively elected to prepay such obligations, and any demand features or put features exercisable by the holders of Parity Obligations or Parity Notes prior to scheduled payment dates shall not be taken into account in computation of Debt Service;

(e) Debt Service on Parity Obligations which bear interest at variable or adjustable rates such that future rates cannot be ascertained, shall be calculated using a rate which shall be estimated and certified by the Chief Financial Officer (or the officer of the City performing the duties of the Chief Financial Officer) as that rate which would have been borne by such Parity Obligations if on the date of certification they had been issued as twenty-five year obligations bearing a fixed rate of interest, but such interest rate shall not be less than the following: (i) if interest is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no

longer published) plus fifty (50) basis points or (ii) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points;

(f) If any of the Parity Obligations constitute Balloon Obligations, then such amounts shall be treated as if such Obligations are refunded through the issuance of Parity Obligations having a twenty-five year level amortization bearing interest at the rates provided by paragraph (e) above, on the date of the earliest permitted exercise of the put feature, stepped-up interest rate and call feature or similar obligation or right and incentive to refund as further set forth in the ordinance authorizing a series of Balloon Obligations or the final maturity date of such Balloon Obligations, as the case may be;

(g) Debt Service on Parity Notes, so long as their payment is secured by a Parity Credit Agreement or issued under a Parity Credit Agreement that established a direct purchase note program or similar short-term or interim borrowing program during the term of such Parity Credit Agreement, shall be computed on the assumption that the principal amount of such Parity Notes shall be financed and refinanced as if such principal amount were to be refinanced in the next ensuing Fiscal Year through the issuance of Parity Obligations having a twenty-five year level amortization bearing interest at the rates provided in paragraph (e) above;

(h) Parity Credit Agreements shall not be deemed to impose any additional Debt Service by reason of the repayment or reimbursement obligations that they impose, but any periodic payments they require for the continued availability of the Parity Credit Agreement shall be included within the computation of Debt Service;

(i) Debt Service on Parity Contract Obligations shall mean all amounts scheduled to be paid thereunder by the City other than for purposes that would qualify as Maintenance and Operation Expenses.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar, the Designated Payment/Transfer Office as designated in the Paying Agent/Registrar Agreement, or at such other location designated by the Paying Agent/Registrar, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

“DTC” means The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means such fiscal year of the City as shall be set from time to time by the City Council.

“Gross Revenues” means while any Outstanding Parity Obligations are Outstanding, all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System and the interest income from the investment or deposit of money in the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund and any other revenues hereinafter pledged to the payment of all Parity Obligations. When used with reference to the Bonds and any Additional Parity Obligations hereafter issued, Gross Revenues shall not include any of the following:

(a) utility deposits and other funds collected by the City to which a third party holds a contractually based reversionary interest or other legal or equitable ownership interest;

(b) payments received from the federal government, unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not adversely affect the excludability of the interest on any Parity Obligations the interest on which is otherwise excludable from gross income for federal income tax purposes;

(c) the proceeds of any Parity Obligations;

(d) any monies received as grants, appropriations, or gifts unless they are designated by official action of the City Council at the time of receipt as being included as part of Gross Revenues; and

(e) the revenue or income derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities that are pledged for the requirements of the obligations issued to finance Special Projects or the revenue or income derived from the operation of such Special Projects, unless otherwise provided by City Council.

“Initial Bond” means the Initial Bond authorized by Section 3.4(d) of this Ordinance.

“Initial Purchaser” means the initial purchaser of the Bonds identified in Section 9.1 of this Ordinance.

“Insurer” means Build America Mutual Assurance Company.

“Interest and Sinking Fund” means the interest and sinking fund for payment of principal of and interest on the Bonds described in Section 6.5 of this Ordinance.

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of stated maturity or prior redemption, such dates being February 1 and August 1 of each year, commencing on February 1, 2023.

“Maintenance and Operation Expenses” means the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to provide efficient service (but only such repairs and extensions as, in the

judgment of City Council, are necessary to (i) keep the System in operation and provide adequate service to the City and its residents, or (ii) respond to a physical accident or condition which would otherwise impair the System), which expenses include payments to the City's general fund or other funds for expenses, salaries, materials and labor associated with the operation and maintenance of the System, and all payments under contracts now or hereafter defined as operating expenses by the Legislature of the State of Texas. Maintenance and Operation Expenses shall specifically exclude the following:

(a) any allowance for depreciation, property retirement, depletion, or obsolescence;

(j) other items not requiring an outlay of cash;

(k) so long as payments received from the federal government are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Maintenance and Operation Expenses for such period equal to the payments received from the federal government for such period to the extent that the payments received from the federal government are used to pay such expenses; and

(l) so long as monies received as grants, appropriations or gifts are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Maintenance and Operation Expenses for such period equal to such grants, appropriations or gifts to the extent that they are used to pay such expenses.

“Maximum Annual Debt Service” means the maximum Annual Debt Service Requirements calculated for any future Fiscal Year.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenues” means all Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

“Ordinance” means this bond ordinance and all amendments hereof and supplements hereto.

“Outstanding” when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations authenticated and delivered under this Ordinance, except:

(a) Parity Obligations theretofore canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(m) Parity Obligations for whose payment or redemption money or securities authorized for that purpose under Texas law shall have theretofore been deposited with the Paying Agent/Registrar or any paying agent or escrow agent for such Parity Obligations in trust for the Owners of such Parity Obligations pursuant to this Ordinance; provided, that, if such Parity Obligations are to be redeemed, notice of such redemption has been duly given or waived pursuant to this Ordinance or irrevocable provision for the giving of such notice satisfactory to the Paying Agent/Registrar has been made pursuant to this Ordinance; and

(n) Parity Obligations upon transfer of or in exchange for or in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Ordinance.

“Owner” when used with respect to any Bond, means the person or entity in whose name such Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners mean the Owners at the particular time of the specified percentage or proportion in aggregate principal amount of all Bonds then Outstanding under this Ordinance, exclusive of Bonds held by the City.

“Parity Bonds” means the Bonds, the Series 2018 Bonds, the Series 2019 Bonds, the Series 2020 Bonds, the Series 2021 Bonds and each series of Additional Parity Obligations from time to time hereafter issued, but only to the extent such Parity Bonds remain Outstanding.

“Parity Contract Obligations” means capitalized lease obligations, installment purchase agreements, purchase contracts or other contract agreements to acquire, purchase, improve or install facilities of the System, other than goods and services that are acquired in the ordinary course of business, that are shown on the liability side of the balance sheet under generally accepted accounting principles and are secured by a first lien on and a pledge of Net Revenues.

“Parity Credit Agreements” means all Parity Credit Agreements to which the City is a party as permitted in Section 7.4.

“Parity Notes” means all Parity Notes issued by the City from time to time pursuant to Section 7.3.

“Parity Obligations” means any Parity Bonds, Parity Notes, Parity Contract Obligations and Parity Credit Agreements issued or incurred by the City.

“Paying Agent/Registrar” means initially Zions Bancorporation, National Association, d/b/a Amegy Bank Division, or any successor thereto as provided in this Ordinance.

“Paying Agent/Registrar Agreement” means the Paying Agent/Registrar Agreement between the Paying Agent/Registrar and the City relating to the Bonds.

“Record Date” means the fifteenth day of the month next preceding an Interest Payment Date.

“Register” means the books of registration kept by the Paying Agent/Registrar, in which are maintained the names and addresses of, and the principal amounts of the Bonds registered to, each Owner.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Reserve Fund” means the Reserve Fund established by Section 6.3 of this Ordinance and further described in Section 6.6 of this Ordinance.

“Reserve Fund Participant Account” means the account described and so named in Section 6.6 of this Ordinance.

“Reserve Fund Participants” means, with respect to Parity Obligations, any series of Parity Obligations designated by a resolution authorizing the issuance of such Parity Obligations as “Reserve Fund Participants” and secured by a lien on the Reserve Fund Participant Account of the Reserve Fund.

“Reserve Fund Surety Obligation” means (i) any surety bond or insurance policy having a rating in one of the three highest generic rating categories by one of Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or Fitch Ratings, Inc. (or if such entities are no longer in existence, by comparable services), issued to the City for the benefit of the Owners of the Parity Obligations (or a particular issue or series of Parity Obligations) to satisfy any part of the Reserve Fund Requirement, if any, for such Parity Obligations (or a particular issue or series of Parity Obligations); and (ii) to the extent allowed by law, a letter or line of credit issued by any financial institution, provided that a rating agency having an outstanding rating on the Parity Obligations would rate the Parity Obligations in one or its three highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the series of Parity Obligations and the interest thereon.

“Reserve Fund Requirement” means the amount, if any, specified in a resolution authorizing Parity Obligations as the Reserve Fund Requirement or, if not so specified, \$0. There is no Reserve Fund Requirement for the Bonds.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“Series 2018 Bonds” means the City’s Water and Sewer System Revenue Bonds, Series 2018.

“Series 2019 Bonds” means the City’s Water and Sewer System Revenue Bonds, Series 2019.

“Series 2020 Bonds” means the City’s Water and Sewer System Revenue Bonds, Series 2020.

“Series 2021 Bonds” means the City’s Water and Sewer System Revenue Bonds, Series 2021.

“Series 2022 Project Fund” means the separate fund of the City established in Section 9.3 of this Ordinance.

“Special Project” means, to the extent permitted by law, any waterworks or sanitary sewer system property, improvement or facility declared by the City not to be part of the System and substantially all of the costs of acquisition, construction, and installation of which is paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes

or Gross Revenues or Net Revenues of the System, and for which all maintenance and operation expenses are payable from sources other than Gross Revenues or Net Revenues of the System.

“System” means all properties, facilities, improvements, equipment, interests, and rights constituting the water and sewer system of the City, including all future extensions, replacements, betterments, additions, and improvements to the System. The System shall not include any Special Project.

Section 2.2 Interpretations. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. Whenever in the Ordinance an office or officer of the City is named or referred to by title, it shall be deemed to include any office or officer of the City succeeding to the principal functions and powers of the named office or officer of the City, including an individual serving in that capacity on an interim basis. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Parity Obligations and the validity of the lien on and pledge of the Net Revenues to secure the payment of the Parity Obligations.

ARTICLE III

TERMS OF THE BONDS

Section 3.1 Authorization and Authorized Amount. The Bonds shall be issued, pursuant to the Act, in fully registered form in the principal amount of \$24,440,000 to pay for (i) costs related to acquiring, constructing, improving, equipping and extending the System, and (ii) the costs of issuing the Bonds, which the City Council hereby determines to be necessary and feasible, all in accordance with the Constitution and general laws of the State of Texas, particularly the Act.

Section 3.2 Designation, Date, and Interest Payment Dates. The Bonds shall be designated as “City of Alvin, Texas, Water and Sewer System Revenue Bonds, Series 2022,” and shall be dated the Dated Date. The Bonds shall bear interest at the rates set out in Section 3.3 of this Ordinance from the later of the Issuance Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, payable on each Interest Payment Date until stated maturity or prior redemption.

Section 3.3 Principal Amounts and Interest Rates; Numbers and Denominations.

(a) The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof and shall be numbered specifically from R-1, upward, except for the Initial Bond, which shall be numbered I-1. The Bonds may be transferred and exchanged as set out in this Ordinance. Bonds delivered on transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Paying Agent/Registrar, shall be in the denomination of \$5,000 or integral multiples thereof, and shall

mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered.

(b) The Bonds shall mature, subject to prior redemption in accordance with this Ordinance, on February 1 in each of the years and in the amounts set out in the following schedule.

| <u>Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-------------|-------------------------|----------------------|-------------|-------------------------|----------------------|
| 2024 | \$1,225,000 | 5.000% | 2034 | \$1,220,000 | 4.000% |
| 2025 | 1,225,000 | 5.000 | 2035 | 1,220,000 | 4.000 |
| 2026 | 1,225,000 | 5.000 | 2036 | 1,220,000 | 4.000 |
| 2027 | 1,225,000 | 5.000 | 2037 | 1,220,000 | 4.000 |
| 2028 | 1,225,000 | 5.000 | 2038 | 1,220,000 | 4.000 |
| 2029 | 1,225,000 | 5.000 | 2039 | 1,220,000 | 4.000 |
| 2030 | 1,225,000 | 5.000 | 2040 | 1,220,000 | 4.000 |
| 2031 | 1,225,000 | 5.000 | 2041 | 1,220,000 | 4.000 |
| 2032 | 1,220,000 | 5.000 | 2042 | 1,220,000 | 4.000 |
| 2033 | 1,220,000 | 5.000 | 2043 | 1,220,000 | 4.000 |

Section 3.4 Execution of Bonds; Seal. (a) The Bonds shall be signed on behalf of the City by the Mayor or Mayor Pro Tem and countersigned by the City Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds.

(b) If any officer of the City whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until the Paying Agent/Registrar's Authentication Certificate, substantially in the form provided herein, has been duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate, substantially in the form provided herein, manually executed by the Comptroller, or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller.

(d) On the Closing Date, the Initial Bond, being a single bond representing the entire principal amount of the Bonds, payable in stated installments to the Initial Purchaser or its designee, executed by manual or facsimile signature of the Mayor or Mayor Pro Tem and the City Secretary of the City, approved by the Attorney General of the State of Texas, and registered and

manually signed by the Comptroller, shall be delivered to the Initial Purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver definitive Bonds to DTC.

Section 3.5 Payment of Principal and Interest. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable at the Designated Payment/Transfer Office of the Paying Agent/Registrar. The interest on each Bond shall be payable on each Interest Payment Date, by check mailed by the Paying Agent/Registrar on or before the Interest Payment Date to the Owner of record as of the Record Date.

If the date for payment of the principal of or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day with the same force and effect as if made on the date payment was originally due.

Section 3.6 Special Record Date. If interest on any Bond is not paid on any Interest Payment Date and continues to be unpaid for 30 days thereafter, the Paying Agent/Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Paying Agent/Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days prior to the Special Record Date, to each affected Owner of record as of the close of business on the day prior to the mailing of such notice.

Section 3.7 Ownership; Unclaimed Principal and Interest. The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal of or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with this Section shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Amounts held by the Paying Agent/Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the applicable provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Section 3.8 Registration, Transfer, and Exchange. So long as any Bonds remain Outstanding, the Paying Agent/Registrar shall keep the Register at its Designated Payment/Transfer Office, and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Ordinance.

Each Bond shall be transferable only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within three Business Days after such presentation, a new Bond or Bonds registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar, for a Bond or Bonds of like maturity and interest rate and in any authorized denomination, in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section. Each Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The City or the Paying Agent/Registrar may require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

Section 3.9 Mutilated, Lost, or Stolen Bonds. Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authorize and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

The City or the Paying Agent/Registrar may require the Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Paying Agent/Registrar. The City or the Paying Agent/Registrar may require the Owner of a lost, apparently destroyed or wrongfully taken Bond, before any replacement Bond is issued, to:

- (i) furnish to the City and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (ii) furnish such security or indemnity as may be required by the Paying Agent/Registrar and the City to save them harmless;

(iii) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that may be imposed; and

(iv) meet any other reasonable requirements of the City and the Paying Agent/Registrar.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10 Cancellation of Bonds. All Bonds paid in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance herewith, shall be cancelled and destroyed upon the making of proper records regarding such payment. The Paying Agent/Registrar shall furnish the City with appropriate certificates of destruction of such Bonds.

Section 3.11 Book-Entry System. (a) The Initial Bond shall be registered in the name of the Initial Purchaser. Except as provided in Section 3.12 hereof, all other Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such DTC Participant holds an interest in the Bonds, except as provided in this Ordinance. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of and interest on the Bonds, for the purpose of giving notices of

redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payments of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Ordinance with respect to interest checks being mailed to the Owner of record as of the Record Date, the phrase "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

Section 3.12 Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the City in its sole discretion, determines that the beneficial owners of the Bonds be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.13 Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Blanket Letter of Representations.

ARTICLE IV

REDEMPTION PROVISIONS

Section 4.1 Optional Redemption.

(a) The City has reserved the right to redeem at its option the Bonds maturing on and after February 1, 2032, in whole or from time to time in part, before their respective scheduled maturity dates, on February 1, 2031, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

(b) The City, at least 45 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption and of the principal amount of Bonds to be redeemed.

Section 4.2 Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Section 4.1 hereof, the City shall determine the maturity or maturities (or mandatory sinking fund redemption amount with respect to Term Bonds) and the principal amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot, or other customary method that results in random selection, the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption.

(b) Principal amounts may be redeemed only in integral multiples of \$5,000. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.8 hereof, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity, Issuance Date, and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 4.3 Notice of Redemption.

(a) Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least 30 days prior to the date fixed for redemption by sending written notice by United States mail, first class, postage prepaid, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register.

(b) Notice shall state the redemption date, the redemption price, the place at which Bonds are to be surrendered for payment and, if less than all Bonds Outstanding of a particular maturity are to be redeemed, the numbers of the Bonds or portions thereof of such maturity to be redeemed.

(c) The City reserves the right to give notice of its election or direction to redeem Bonds under Section 4.1 conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding.

(d) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

ARTICLE V

FORM OF BOND; BOND INSURANCE

Section 5.1 Form of Bond.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to accompany the Initial Bond, the Certificate of the Paying Agent/Registrar, and the Assignment form which shall accompany, appear on or be attached or affixed to each of the Bonds, (i) shall be substantially in the form attached hereto as Exhibit A, with such appropriate insertions, omissions, substitutions, and other variations as may be necessary or desirable and not prohibited by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any legend relating to bond insurance for the Bonds or reproduction of an opinion of counsel) as, consistently herewith, may be determined by the Authorized Officer or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) The definitive Bonds may be produced by any customary method, as determined by the officers executing such Bonds, as evidenced by their execution thereof. The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 5.2 CUSIP Numbers. The City may secure identification numbers through the CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence, or another entity that provides securities identification numbers for municipal securities, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds or any errors or omissions in the printing of such number shall be of no significance or effect in regard to the legality thereof and neither the City nor Bond Counsel are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 5.3 Legal Opinion. The approving legal opinion of Bond Counsel may be attached to or printed on the reverse side of each Bond.

Section 5.4 Bond Insurance. The Initial Purchaser has obtained bond insurance from the Insurer and the Bonds may bear an appropriate legend as provided by the Insurer. The premium for any bond insurance obtained by the Initial Purchaser shall be the responsibility of the Initial Purchaser.

ARTICLE VI

SECURITY AND SOURCE OF PAYMENT FOR ALL PARITY OBLIGATIONS

Section 6.1 Pledge and Source of Payment.

(a) The City hereby covenants and agrees that all Gross Revenues of the System shall be deposited and paid into the special funds established for the Parity Obligations, as provided in this Ordinance, and shall be applied in the manner set out herein, to provide for the payment of all Maintenance and Operation Expenses and to provide for the payment of principal, interest and any redemption premium of the Parity Obligations and all expenses of paying, securing and insuring the same. The Parity Obligations shall constitute special obligations of the City that shall be payable solely from, and shall be equally and ratably secured by a first lien on, the Net Revenues, as collected and received by the City, from the operation and ownership of the System, which Net Revenues shall, in the manner herein provided, be set aside for and pledged to the payment of the Parity Obligations in the Interest and Sinking Fund. For the additional benefit of the owners of the Parity Obligations that are Reserve Fund Participants, the City hereby further grants a lien on the Reserve Fund Participant Account of the Reserve Fund, as and to the extent provided in any subsequent ordinance authorizing such Parity Obligations. For the additional benefit of the owners of the Parity Obligations that are not Reserve Fund Participants, the City may create one or more additional separate accounts within the Reserve Fund and grant a lien on such accounts for the benefit of the Owners of such series of Parity Obligations, all as more particularly described in Section 6.6 of this Ordinance. Except with respect to the Reserve Fund Participant Account or the other separate accounts of the Reserve Fund described in this Section or applicable ordinance authorizing the issuance of Parity Obligations, all Parity Obligations shall be in all respects on a parity with and of equal dignity with one another.

(b) The Bonds, together with any Additional Parity Obligations, are special obligations of the City, payable solely from the Net Revenues. The Owners of the Parity Obligations shall never have the right to demand payment out of any funds raised or to be raised by taxation.

(c) The Net Revenues hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties of any kind having a claim of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

Section 6.2 Rates and Charges. So long as any Parity Obligations remain Outstanding, the City shall fix, charge and collect rates and charges for the use and services of the System which are fully sufficient to produce Net Revenues in each Fiscal Year at least equal to 115% of the Annual Debt Service Requirements for such Fiscal Year on all Parity Obligations then Outstanding, plus an amount equal to the sum of all deposits required to be made to the Reserve Fund in such Fiscal Year; but in no event shall Net Revenues ever be less than the amount required to maintain the Interest and Sinking Fund and the Reserve Fund as hereinafter provided, and, to the extent that funds for such purpose are not otherwise available, to pay all other outstanding obligations payable from the Net Revenues of the System, as and when the same become due.

The City will not grant or permit any free service from the System except for public buildings and institutions operated by the City.

Section 6.3 Special Funds.

(a) The following special funds are hereby created, established and confirmed, and such funds shall be maintained and accounted for as hereinafter provided, so long as any Parity Obligations remain Outstanding:

- (i) Water & Sewer System Operational Fund (the “Revenue Fund”);
- (ii) Water and Sewer System Revenue Bonds Interest and Sinking Fund (the “Interest and Sinking Fund”); and
- (iii) Water and Sewer System Revenue Bonds Reserve Fund (the “Reserve Fund”).

The Revenue Fund shall be maintained as a separate account on the books of the City. The Interest and Sinking Fund and the Reserve Fund shall be maintained at an official depository bank of the City separate and apart from all other funds and accounts of the City and shall constitute trust funds which shall be held in trust for the benefit of the Owners of the Parity Obligations and the proceeds of which shall be and are hereby pledged to the payment of the Parity Obligations. All of the Funds named above shall be used solely as provided in this Ordinance so long as any Parity Obligations remain Outstanding.

(b) The City reserves the right to establish additional accounts and subaccounts within any fund as necessary or desirable in furtherance of the intents, and purposes of the City. Each such account or subaccount within a fund shall be designated in a manner that indicates the identity of such fund and that distinguishes such account or subaccount from all other accounts and subaccounts established under this Ordinance.

(c) The City reserves the right to establish one or more additional funds or accounts for such purposes as the City may determine from time to time, including, but not limited to the purposes of providing for the issuance of obligations that are secured by a lien on the Net Revenues of the System that are subordinate to that securing the Parity Obligations and the creation of reserves for any lawful City purpose.

Section 6.4 Flow of Funds. All Gross Revenues of the System (except for interest and earnings on investments in the Reserve Fund and the Interest and Sinking Fund) shall be deposited as collected into the Revenue Fund. Money from time to time on deposit in the Revenue Fund shall be applied as follows in the following order of priority:

- (a) First, to pay Maintenance and Operation Expenses.
- (b) Second, to make all deposits into the Interest and Sinking Fund required by this Ordinance and any ordinance authorizing the issuance of Additional Parity Obligations.

(c) Third, on a pro rata basis to the Reserve Fund Participant Account, if any, and each debt service reserve fund account of the Reserve Fund created by any ordinance authorizing the issuance of Parity Obligations, when and in the amounts required by this Ordinance and any ordinance authorizing Additional Parity Obligations.

(d) Fourth, to make deposits to any funds and accounts designated for subordinate lien obligations by future action of the City Council.

(e) Fifth, for (i) the payment of any certificates of obligation or general obligation bonds or refunding bonds issued for a System purpose or secured by a pledge of System Revenues that is not on parity with the Parity Obligations or any future obligations with a pledge of revenues superior to that securing such obligations, including, without limitation the City's Outstanding Tax and Revenue Certificates of Obligation Series 2015, (ii) the payment of a franchise fee or similar charge for the benefit of operating the System as established by the City Council from time to time, (iii) the redemption prior to maturity of any Outstanding Parity Obligations or other obligations secured by or payable from revenues of the System, or (iv) any lawful System purpose.

Whenever the total amounts on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all Outstanding Parity Obligations plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund and such Parity Obligations shall not be regarded as being Outstanding except for the purpose of being paid with money on deposit in such Funds.

Section 6.5 Interest and Sinking Fund. On or before the last Business Day of each month so long as any Parity Obligations remain Outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, there shall be transferred into the Interest and Sinking Fund from the Revenue Fund, such amounts as will be sufficient, when added to amounts already on deposit therein, to equal the aggregate amount of (i) Debt Service on all Parity Obligations accrued through such date, plus (ii) all charges and other costs and expenses relating thereto accrued through such date.

Money deposited to the credit of the Interest and Sinking Fund shall be used solely for the purpose of paying principal (at stated maturity or prior redemption or to purchase Parity Obligations issued as term bonds in the open market to be credited against mandatory redemption requirements), interest, any redemption premium and other amounts due on the Parity Obligations, plus all bank charges and other costs and expenses relating to such payment. On or before each payment date on the Parity Obligations, the City shall transfer from the Interest and Sinking Fund to the paying agent for the Parity Obligations amounts sufficient to make such payment.

Section 6.6 Reserve Fund.

(a) The City reserves the right to establish and maintain as hereinafter provided a balance in the Reserve Fund Participant Account or other subaccount within the Reserve Fund equal to the Reserve Fund Requirement for Parity Obligations that are secured thereby as established in an ordinance authorizing such Parity Obligations. The City may establish and maintain a balance in the Reserve Fund Participant Account of the Reserve Fund equal to the

Reserve Fund Requirement for the Parity Bonds that are secured thereby. Alternatively, within the Reserve Fund, subaccounts may be established pursuant to an ordinance authorizing a particular series of Parity Bonds into which the applicable Reserve Fund Requirement for the particular series of Parity Bonds that are not Reserve Fund Participants may be deposited. The City is not obligated to establish a Reserve Fund Requirement or utilize the Reserve Fund in connection with the issuance of any future series of Parity Obligations.

(b) The establishment of or any increase in the Reserve Fund Requirement resulting from the issuance of any Parity Obligations shall be specified in the ordinance authorizing the issuance of such Parity Obligations. The Reserve Fund Requirement shall, as provided in the resolution authorizing such Parity Obligations, be satisfied by depositing to the credit of the Reserve Fund Participant Account (in the case of Additional Parity Obligations that are Reserve Fund Participants) or such other designated accounts, as applicable, (in the case of Additional Bonds that are not Reserve Fund Participants) of the Reserve Fund (i) after making required transfers from the Revenue Fund into the Interest and Sinking Fund, transfers into the Reserve Fund from the Revenue Fund, in approximately equal monthly installments made on or before the last Business Day of each month following the month of delivery of such Parity Obligations, amounts sufficient to accumulate within sixty (60) months the Reserve Fund Requirement; (ii) proceeds of such Parity Obligations or other lawfully available funds in not less than the amount which, together with investment earnings thereon as estimated by the City, will be sufficient to fund fully the Reserve Fund Requirement by no later than the end of the period of time for which the payment of interest on such Parity Bonds has been provided out of proceeds of such Additional Parity Obligations or investment earnings thereon as estimated by the City or from other lawfully available funds other than Net Revenues; or (iii) a Reserve Fund Surety Obligation that is in an amount equal to the amount required to be funded. Any downgrade of an issuer of a Reserve Fund Surety Obligation shall have no effect on the value of such instrument for the purposes of meeting the Reserve Fund Requirement and the City shall have no obligation to supplement or replace such Reserve Fund Surety Obligation or make additional cash contributions to the Reserve Fund as a result of such downgrade. The City further expressly reserves the right to substitute at any time a Reserve Fund Surety Obligation for any funded amounts in the Reserve Fund and to apply the funds thereby released for any lawful purpose, including without limitation any purpose for which Parity Obligations may be issued or in order to pay debt service on Parity Obligations (and with respect to funds on deposit in the Reserve Fund that are proceeds of the Parity Obligations, such released funds may only be used for any purpose for which Parity Obligations may be issued or in order to pay debt service on the Parity Obligations). The City also reserves the right to provide for the use of a Reserve Fund Surety Obligation in relationship to a series-specific debt service reserve requirement as may be required under any ordinance authorizing the issuance of Parity Obligations.

(c) In any month in which any account of the Reserve Fund contains less than the applicable Reserve Fund Requirement (or so much thereof as shall then be required to be therein if the City has elected to accumulate the Reserve Fund Requirement for any series of Bonds as above provided), then on or before the last Business Day of such month, after making all required transfers to the Interest and Sinking Fund, there shall be transferred on a pro rata basis into the Reserve Fund Participant Account (in the case of Parity Obligations that are Reserve Fund Participants) and such other designated accounts, as applicable, (in the case of Parity Obligations that are not Reserve Fund Participants) of the Reserve Fund from the Revenue Fund, such amounts

as shall be required to permit the City to pay all obligations under Reserve Fund Surety Obligation allocable to the Reserve Fund Participant Account or such other designated accounts, as applicable, within a twelve (12) month period and such additional amounts as shall be sufficient to enable the City within a twelve (12) month period to reestablish in the Reserve Fund Participant Account or such other designated accounts within the Reserve Fund, as applicable, the Reserve Fund Requirement for the Parity Obligations secured thereby; provided, however, that in the event that such monthly transfer requirements ever exceed one-twelfth (1/12th) of the Maximum Annual Debt Service Requirements scheduled to occur in any future Fiscal Year on all Parity Obligations then Outstanding, any remaining required transfers shall be accomplished pursuant to Section 6.7 below. After such amounts have been accumulated in the Reserve Fund Participant Account and such other designated accounts (as described above), and so long thereafter as such accounts contain the Reserve Fund Requirement, no further transfers shall be required to be made into the Reserve Fund Participant Account or such other designated accounts within the Reserve Fund, and any excess amounts in such accounts shall be transferred to the Interest and Sinking Fund or such other Funds as may be permitted by federal tax law. But if and whenever the balance in the Reserve Fund Participant Account or such other designated accounts is reduced below the applicable Reserve Fund Requirement, monthly transfers to such accounts shall be resumed and continued in such amounts as shall be required to restore the Reserve Fund Participant Account or such other designated accounts within the Reserve Fund, as applicable, to such amount within a twelve (12) month period.

(d) The Reserve Fund Participant Account shall be used to pay the principal of and interest on the Parity Bonds that are Reserve Fund Participants at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose (with the requirement that all cash and investments on deposit in such account be depleted before drawing upon any Reserve Fund Surety Obligation, unless provided otherwise in each of the Reserve Fund Surety Obligations allocable to the Reserve Fund Participant Account) and to repay amounts drawn under any Reserve Fund Surety Obligation allocable to such Reserve Fund Participant Account for such purpose, together with interest thereon, in accordance with the terms of the City's reimbursement obligations incurred in connection with such Reserve Fund Surety Obligation. The Reserve Fund Participant Account may also be used to make the final payments for the retirement or defeasance of all Parity Obligations then Outstanding that are secured thereby.

(e) With respect to any Series of Parity Obligations that are not Reserve Fund Participants (such as the Bonds), any account created within the Reserve Fund for the benefit of such series of Parity Obligations shall be used to pay the principal and interest on such series of Parity Obligations at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose (with the requirement that all cash and investments on deposit in such account be depleted before drawing upon any Reserve Fund Surety Obligation, unless provided otherwise in each of the Reserve Fund Surety Obligations allocable to such account) and to repay amounts drawn under any Reserve Fund Surety Obligation allocable to such account for such purpose, together with interest thereon, in accordance with the terms of the City's reimbursement obligations incurred in connection with such Reserve Fund Surety Obligation. Any such account shall also be used to make the final payments for the retirement and defeasance of the series of Parity Obligations then Outstanding that are secured thereby.

(f) The City directs and requires the Paying Agent/Registrar for any series of bonds benefitting from a Reserve Fund Surety Obligation to ascertain the necessity for claim or draw upon the applicable Reserve Fund Surety Obligation, and to provide notice to the issuer thereof in accordance with its terms and to make such claims or draws thereon as may be necessary to provide for the timely payment of principal of and interest on the Parity Obligations to which it pertains.

(g) The Bonds are not a Reserve Fund Participant. No account has been established within the Reserve Fund for the benefit of the Bonds, and there is no Reserve Fund Requirement for the Bonds.

Section 6.7 Deficiencies in Funds. If in any month there shall not be deposited into any Fund maintained pursuant to this Article the full amounts required herein, amounts equivalent to such deficiency shall be set apart and paid into such Fund or Funds from the first available and unallocated money in the Revenue Fund, and such payment shall be in addition to the amounts otherwise required to be paid into such Funds during the succeeding month or months. To the extent necessary, the rates and charges for the System shall be increased to make up for any such deficiencies.

Section 6.8 Investment of Funds; Transfer of Investment Income.

(a) Money in the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund may, at the option of the City, be invested as permitted by law (including through a guaranteed investment contract authorized by section 2256.015 of the Texas Government Code); provided that all such deposits and investments shall be made in such manner that the money within each Fund will be available at the proper time or times, and provided further that in no event shall such deposits or investments of money in the Reserve Fund mature later than the final maturity date of the Parity Obligations. Any obligation in which money is so invested shall be kept and held in the Fund from which the investment was made. All such investments shall be promptly sold when necessary to prevent any default in connection with the Parity Obligations.

(b) All interest and income derived from such deposits and investments shall be credited as received to the Fund from which the investment was made.

ARTICLE VII

ADDITIONAL PARITY OBLIGATIONS

Section 7.1 Additional Parity Obligations Generally. The City reserves the right to issue, for any lawful purpose (including the refunding of any previously issued Parity Obligations or any other bonds, notes, or obligations of the City issued in connection with or payable from the revenues of the System), one or more series of Additional Parity Obligations payable from and secured by a first lien on the Net Revenues of the System on a parity with the Bonds and any then Outstanding Parity Obligations. Additional Parity Obligations may mature on any date in any of the years in which they are scheduled to mature.

Section 7.2 Conditions Precedent to the Issuance of Additional Parity Obligations. The City may issue Additional Parity Obligations if the following conditions have been met:

(a) The Interest and Sinking Fund and the accounts within the Reserve Fund each contain the amount of money then required to be on deposit therein;

(b) For either the preceding Fiscal Year or any consecutive 12-month period out of the 18-month period immediately preceding the month in which the ordinance authorizing such Additional Parity Obligations is adopted (the “Base Period”), either:

(i) Net Revenues of the System were equal to at least 115% of the Average Annual Debt Service Requirements on all Parity Obligations that will be Outstanding after the issuance of the series of Additional Parity Obligations then proposed to be issued, as certified by the City’s Chief Financial Officer (or the officer of the City performing the duties of the Chief Financial Officer) or by an independent certified public accountant or firm of independent certified public accountants; or

(ii) Net Revenues of the System, as adjusted to give effect to any rate increase for the System that has been in effect for at least 60 days prior to the adoption of the ordinance authorizing the issuance of the series of Additional Parity Obligations then proposed to be issued, to the same extent as if such rate increase had been in effect for the entire Base Period, would have been at least equal to the amount required in paragraph (1) above, as certified by an independent consulting engineer or independent firm of consulting engineers;

provided, however, that this requirement shall not apply to the issuance of any series of Additional Parity Obligations for refunding purposes that will have the result of reducing the Average Annual Debt Service Requirements on Parity Obligations or for the purpose of providing permanent financing for funds borrowed under a commercial paper program or a direct purchase note program.

(c) Provision is made in the bond ordinance authorizing the Additional Parity Obligations then proposed to be issued for appropriate additional or larger payments to be made into the Interest and Sinking Fund in such additional amounts as are required by the payment of all principal of and interest on the Additional Parity Obligations, as the same comes due.

Section 7.3 Parity Notes. The City reserves the right to issue, for any lawful purpose for which it may issue Parity Obligations, Parity Notes payable from and secured by a first lien on and pledge of Net Revenues; provided, however, that no Parity Notes may be issued unless:

(a) Each of the requirements contained in Section 7.2 has been satisfied; and

(b) The payment of principal of and interest on the Parity Notes is guaranteed by or comparably secured by a Parity Credit Agreement or the Parity Notes are issued under a Parity Credit Agreement that establishes a direct purchase note program or similar short-term or interim borrowing program.

Section 7.4 Parity Credit Agreements. To the extent permitted by law, the City reserves the right to enter into Parity Credit Agreements for the purpose of contracting with financial institutions to issue letters of credit, insurance policies, surety bonds, guarantees or other

instruments to further secure Parity Obligations, Parity Notes and Parity Contract Obligations. The City may enter into Parity Credit Agreements for such purpose and secure its obligations under such Parity Credit Agreements, including its obligations to repay and reimburse the issuers of such Parity Credit Agreements for any advances or payments that they make, by a first lien on and pledge of the Net Revenues, on a parity with the other Parity Obligations; provided, however, that the City shall not enter into any Parity Credit Agreements unless:

(a) The Chief Financial Officer of the City (or the officer of the City performing the duties of the Chief Financial Officer) certifies in writing with respect to a letter of credit, insurance policy, surety bond, guarantee or similar instrument to further secure Parity Obligations, Parity Notes or Parity Contract Obligations that the acquisition and entering such Parity Credit Agreement will reduce the overall costs to the City with respect to the Parity Obligations, Parity Notes or Parity Contract Obligations to be secured by such Parity Credit Agreement; provided, however, that such a finding shall not be required in connection with a note purchase agreement that establishes a direct purchase note program or similar short-term or interim borrowing program; and

(b) The Parity Credit Agreement and all contracts and proceedings related thereto are approved by the Attorney General of the State of Texas to the extent required by law.

Section 7.5 Parity Contract Obligations. To the extent permitted by law, the City reserves the right to incur Parity Contract Obligations or enter into credit agreements or contractual obligations for any lawful purpose for which it may issue Parity Obligations and Parity Notes payable from and secured by a first lien on and pledge of Net Revenues; provided, however, that no Parity Contract Obligations may be incurred unless:

(a) Each of the requirements (a) through (c) contained in Section 7.2 has been satisfied; and

(b) The Parity Contract Obligation and all procedures related thereto are approved by the Attorney General of the State of Texas to the extent required by law.

Section 7.6 Subordinate Lien Bonds. The City reserves the right to issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on the Net Revenues securing payment of the Parity Obligations. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purpose.

Section 7.7 Special Project Bonds. The City reserves the right to issue revenue bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects.

ARTICLE VIII

COVENANTS AND PROVISIONS RELATING TO ALL PARITY OBLIGATIONS

Section 8.1 Punctual Payment of Parity Obligations. The City will punctually pay or cause to be paid the interest on and principal of all Parity Obligations according to the terms thereof

and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any ordinance authorizing the issuance of Additional Parity Obligations.

Section 8.2 Maintenance of System. So long as any Parity Obligations remain Outstanding, the City covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the City will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative, or judicial body promulgating the same, noncompliance with which would materially and adversely affect the operation of the System.

Section 8.3 Sale or Encumbrance of System. So long as any Parity Obligations remain Outstanding, the City will not sell, dispose of or, except as permitted herein, further encumber the System; provided, however, that this provision shall not prevent the City from disposing of any portion of the System which is being replaced or is deemed by the City to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the City contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

Section 8.4 Insurance. The City further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar systems, to the extent that such insurance is available at a reasonable cost. The cost of all such insurance together with any additional insurance, shall be a part of the Maintenance and Operation Expenses. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed, or to make other capital improvements to the System, or to redeem Parity Obligations.

Section 8.5 Accounts, Records, and Audits. So long as any Parity Obligations remain Outstanding, the City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the operation of the System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof. The City shall after the close of each of its Fiscal Years cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants.

Section 8.6 Competition. To the extent it legally may, the City will not grant any franchise or permit for the acquisition, construction, or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

Section 8.7 Pledge and Encumbrance of Net Revenues. The City covenants and represents that it has the lawful power to create a lien on and to pledge the Net Revenues to secure

the payment of the Parity Obligations and has lawfully exercised such power under the Constitution and laws of the State of Texas.

Section 8.8 Borrowers' Remedies. This Ordinance shall constitute a contract between the City and the Owners of the Parity Obligations from time to time Outstanding (including any bond insurers of Parity Obligations) and shall remain in effect until the Parity Obligations and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein (including payments of any amounts due to bond insurers of Parity Obligations). In the event of a default in the payment of the principal of or interest on any of the Parity Obligations or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of any of the Parity Obligations may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Parity Obligations may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the Gross Revenues into the special funds herein provided, and the application of the Gross Revenues and the Net Revenues in the manner required in this Ordinance.

Section 8.9 Federal Income Tax Exclusion.

(a) General. The City covenants not to take any action or omit to take any action that, if taken or omitted, would cause the interest on the Bonds to be includable in gross income for federal income tax purposes. In furtherance thereof, the City covenants to comply with sections 103 and 141 through 150 of the Code and the provisions set forth in the Federal Tax Certificate executed by the City in connection with the Bonds.

(b) No Private Activity Bonds. The City covenants that it will use the proceeds of the Bonds (including investment income) and the property financed, directly or indirectly, with such proceeds so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code. Furthermore, the City will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes the Bonds to be a "private activity bond" unless it takes a remedial action permitted by section 1.141-12 of the Regulations.

(c) No Federal Guarantee. The City covenants not to take any action or omit to take any action that, if taken or omitted, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code, except as permitted by section 149(b)(3) of the Code.

(d) Bonds Are Not Hedge Bonds. The City covenants not to take any action or omit to take action that, if taken or omitted, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code.

(e) No-Arbitrage Bonds. The City covenants that it will make such use of the proceeds of the Bonds (including investment income) and regulate the investment of such proceeds of the Bonds so that the Certificates will not be "arbitrage bonds" within the meaning of section 148(a) of the Code.

(f) Required Rebate. The City covenants that, if the City does not qualify for an exception to the requirements of section 148(f) of the Code, the City will comply with the requirement that certain amounts earned by the City on the investment of the gross proceeds of the Bonds, be rebated to the United States.

(g) Information Reporting. The City covenants to file or cause to be filed with the Secretary of the Treasury an information statement concerning the Bonds in accordance with section 149(e) of the Code.

(h) Record Retention. The City covenants to retain all material records relating to the expenditure of the proceeds (including investment income) of the Bonds and the use of the property financed, directly or indirectly, thereby until three years after the last Bond is redeemed or paid at maturity (or such other period as provided by subsequent guidance issued by the Department of the Treasury) in a manner that ensures their complete access throughout such retention period.

(i) Favorable Opinion of Bond Counsel. Notwithstanding the foregoing, the City will not be required to comply with any of the federal tax covenants set forth above if the City has received an opinion of nationally recognized bond counsel that such noncompliance will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

(j) Continuing Obligation. Notwithstanding any other provision of this Ordinance, the City's obligations under the federal tax covenants set forth above will survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the excludability of interest on the Bonds from gross income for federal income tax purposes.

(k) Official Intent. For purposes of section 1.150-2(d) of the Regulations, to the extent that an official intent to reimburse has not previously been adopted by the City, this Ordinance serves as the City's official declaration of intent to use proceeds of the Bonds to reimburse itself from proceeds of the Bonds issued in the maximum amount for certain expenditures paid in connection with the projects set forth herein. Any such reimbursement will only be made (i) for an original expenditure paid no earlier than 60 days prior to the date hereof and (ii) not later than 18 months after the later of (A) the date the original expenditure is paid or (B) the date of which the project to which such expenditure relates is placed in service or abandoned, but in to event more than three years after the original expenditure is paid.

ARTICLE IX

PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF BONDS

Section 9.1 Sale of Bonds; Official Statement.

(a) The sale and delivery of the Bonds, having been duly advertised and offered for sale at competitive bid, are hereby sold and awarded to Robert W. Baird & Co., Inc. (the "Initial Purchaser") for a purchase price equal to the principal amount thereof plus a cash premium in the amount of \$1,410,934.80, being the bid which produced the lowest true interest cost, subject to the

approving opinion as to the legality of the Bonds of the Attorney General of the State of Texas and the opinion of Bond Counsel.

(b) The form and substance of the Preliminary Official Statement, including any addenda, supplement or amendment thereto, as approved by the City Manager is hereby ratified and approved. The City Council hereby authorizes the preparation of a final Official Statement. The Official Statement, as approved by an Authorized Officer of the City and the Initial Purchaser, may be used by the Initial Purchaser in the public offering and sale of the Bonds. The use and distribution of the Preliminary Official Statement, and the preliminary public offering of the Bonds by the Initial Purchaser, is hereby ratified, approved and confirmed.

Section 9.2 Control and Delivery of Bonds.

(a) The Mayor is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination, and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the Initial Purchaser under and subject to the general supervision and direction of the Authorized Officer of the City, against receipt by the City of all amounts due to the City under the terms of sale.

Section 9.3 Series 2022 Project Fund.

(a) The City hereby establishes a separate fund to be known as the “Series 2022 Project Fund” in order to provide for the efficient administration of the proceeds of the Bonds. The earnings on the investment of the proceeds deposited in the Series 2022 Project Fund shall remain in such fund to accomplish the purposes of the Bonds. The monies in such fund shall be secured and invested in the manner required by law, including specifically the Public Funds Investment Act, and the City’s investment policy, including through a guaranteed investment contract as authorized by Section 2256.015 of the Government Code; provided that all such investments shall be made in such a manner that the money required to be expended from the Series 2022 Project Fund will be available at the proper time or times.

(b) All officers of the City are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the terms of sale therefor. Further, in connection with the submission of the record of proceedings for the Bonds to the Attorney General of the State of Texas for examination and approval of such Bonds, the appropriate officer of the City is hereby authorized and directed to issue a check of the City payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount to be the lesser of (i) 1/10th of 1% of the principal amount of the Bonds or (ii) \$9,500).

(c) The obligation of the Initial Purchaser identified in subsection (a) of this Section to accept delivery of the Bonds is subject to the Initial Purchaser being furnished with the final, approving opinion of Bond Counsel, which opinion shall be dated and delivered the Closing Date.

Section 9.4 Use of Proceeds. Proceeds from the sale of the Bonds shall, promptly upon receipt by the City, be applied as follows:

(a) the amount of \$25,570,000.00, consisting of \$24,440,000.00 principal amount of Bond proceeds plus premium received from the sale of the Bonds in the amount of \$1,130,000.00, shall be deposited in the Series 2022 Project Fund and used for the purposes specified in Section 3.1;

(b) premium received from the sale of the Bonds in the amount of \$280,934.80 shall be used to pay the costs of issuing the Bonds; and

(c) any amounts remaining following the payment of the costs of issuing the Bonds shall be deposited into the Series 2022 Project Fund for the Bonds.

ARTICLE X

PAYING AGENT/REGISTRAR

Section 10.1 Appointment of Initial Paying Agent/Registrar. Zions Bancorporation, National Association, d/b/a Amegy Bank Division, or its successor, is hereby appointed as the initial Paying Agent/Registrar for the Bonds. The Mayor is hereby authorized and directed to execute, and the City Secretary to attest, an agreement (the “Paying Agent/Registrar Agreement”), in the form presented at this meeting, with the Paying Agent/Registrar specifying the duties of the City and the Paying Agent/Registrar.

Section 10.2 Qualifications. Each Paying Agent/Registrar shall be a commercial bank, trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as, and perform the duties and services of, paying agent and registrar for the Bonds.

Section 10.3 Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are Outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 10.2 of this Ordinance.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement.

Section 10.4 Termination. The City reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated a certified copy of a resolution of the City (i) giving notice of the termination of the appointment and of the Paying Agent/Registrar Agreement, stating the effective date of such termination, and (ii) appointing a successor Paying Agent/Registrar; provided, that, no such termination shall be

effective until a successor Paying Agent/Registrar has accepted the duties of Paying Agent/Registrar for the Bonds.

Section 10.5 Notice of Change to Owners. Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by United States mail, first class, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 10.6 Agreement to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 10.7 Delivery of Records to Successor. If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

Section 10.8 Paying Agents May Own Parity Obligations. The paying agents for the Parity Obligations, in their individual or any other capacity, may become holders or pledgees of the Parity Obligations with the same rights they would have if they were not paying agents.

ARTICLE XI

CONTINUING DISCLOSURE

Section 11.1 Annual Reports.

(a) The City shall provide annually to the MSRB, (i) within six (6) months after the end of each Fiscal Year of the City ending in or after 2022, financial information and operating data with respect to the City of the general type included in the Official Statement Tables numbered 1 through 12, and including financial statements of the City if audited financial statements of the City are then available, and (ii) if not provided as part of such financial information and operating data, audited financial statements when they become available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the notes to the financial statements for the most recently concluded Fiscal Year, or such other accounting principles as the City may be required to employ, from time to time, by state law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such Fiscal Year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable Fiscal Year, when and if the audit report on such financial statements becomes available.

(b) If the City changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document, including an official statement or other offering document, if it is available from the MSRB, that theretofore has been provided to the MSRB or filed with the SEC.

Section 11.2 Material Event Notices.

(a) The City shall provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of the holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City;

Note to paragraph (xii): For the purposes of the event identified in paragraph (xii) of this section, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed

jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

Note to paragraphs (xv) and (xvi): For purposes of the events identified in paragraphs (xv) and (xvi) of this section and in the definition of Financial Obligation in Section 2.1, the City intends the words used in such paragraphs to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the “2018 Release”) and any further written guidance provided by the SEC or its staff with respect with respect to the amendments to the Rule effected by the 2018 Release.

(b) The City shall provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of a failure by the City to provide required annual financial information in accordance with Section 11.1 above. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Section 11.3 Limitations, Disclaimers, and Amendments.

(a) The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any bond calls and any defeasances that cause the City to be no longer an “obligated person”.

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the City in observing or performing its obligations under this Article shall constitute a breach of or default under the Ordinance for purposes of any other provisions of this Ordinance.

(d) Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

(e) The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (B) an entity or individual person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. The provisions of this Article may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 11.1 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

ARTICLE XII

AMENDMENTS

Section 12.1 Amendments. This Ordinance shall constitute a contract with the Owners, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. The City may, without consent of or notice to any Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the Owners of the Bonds holding a majority in aggregate principal amount of the Bonds then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition, or rescission.

ARTICLE XIII

DISCHARGE

Section 13.1 Discharge. The Bonds may be defeased, discharged or refunded in any manner now or hereafter allowed by law.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Changes to Ordinance. Bond Counsel is hereby authorized to make changes to the terms of this Ordinance if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Bonds by the Attorney General of the State of Texas.

Section 14.2 Further Proceedings. The Mayor or Mayor Pro Tem, the City Manager, the Chief Financial Officer, the City Secretary, and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

Section 14.3 No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Ordinance, against any official or employee of the City or any person executing any Bonds.

Section 14.4 Parties Interested. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Paying Agent/Registrar and the Owners of the Bonds, any right, remedy or claim under

or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance shall be for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Owners of the Bonds.

Section 14.5 Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency. If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 14.6 Open Meeting. It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public, and that public notice of the time, place and purpose of said meeting was given, all as required by the Texas Open Meetings Act.

Section 14.7 Effective Date. This Ordinance shall take effect upon its passage.

[Signature Page Follows]

PASSED, APPROVED AND EFFECTIVE this 7th day of July 2022.

City Secretary,
City of Alvin, Texas

Mayor,
City of Alvin, Texas

[SEAL]

APPROVED AS TO FORM:

City Attorney
City of Alvin, Texas

EXHIBIT A

FORM OF THE BONDS

(a) Form of Bonds.

REGISTERED
No. _____

REGISTERED
\$ _____

United States of America
State of Texas
County of Brazoria

CITY OF ALVIN, TEXAS
WATER AND SEWER SYSTEM REVENUE BOND
SERIES 2022

| | | | |
|-----------------------|-----------------------|----------------------|-------------------|
| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NO.:</u> |
| _____ % | February 1, 20__ | July 28, 2022 | _____ |

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The City of Alvin, Texas, a municipal corporation duly incorporated under the laws of the State of Texas (herein the “City”) for value received, promises to pay, but solely from certain Net Revenues as hereinafter provided, to the registered owner identified above or registered assigns, on the maturity date specified above, upon presentation and surrender of this Bond to Zions Bancorporation, National Association, d/b/a Amegy Bank Division (the “Paying Agent/Registrar”), at its principal payment office in Houston, Texas, the principal amount identified above, payable in any coin or currency of the United States of America which on the date of payment is legal tender for the payment of debts due the United States of America, and to pay, solely from such Net Revenues, interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the Closing Date of the Bonds, or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this Bond is payable by check on February 1 and August 1, beginning on February 1, 2023, mailed to the registered owner of record as of the close of business on the fifteenth day of the month preceding each interest payment date.

THIS BOND is dated July 1, 2022 and is one of a duly authorized issue of Bonds, aggregating \$24,440,000 (the “Bonds”), issued to pay for (i) costs related to acquiring, constructing, improving, equipping and extending the System (as defined in the Ordinance), and (ii) the costs of issuing the Bonds, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Chapters 1502, Texas Government Code, as amended, and pursuant to an ordinance adopted by the City Council (the “Ordinance”).

THE CITY RESERVES THE RIGHT to redeem the Bonds maturing on February 1, 2032, in whole or from time to time in part, in integral multiples of \$5,000, on February 1, 2031, or any date thereafter at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. Reference is made to the Ordinance for complete details concerning the manner of redeeming the Bonds.

THE CITY RESERVES THE RIGHT, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her authorized representative, subject to the terms and conditions of the Ordinance.

THE BONDS ARE EXCHANGEABLE at the principal payment office of the Paying Agent/Registrar in Houston, Texas, for Bonds in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Ordinance.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Bond is either (i) registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

THE REGISTERED OWNER of this Bond, by acceptance hereof, acknowledges and agrees to be bound by all the terms and conditions of the Ordinance.

THE CITY has covenanted in the Ordinance that it will at all times provide a legally qualified paying agent/registrar for the Bonds and will cause notice of any change of paying agent/registrar to be mailed to each registered owner.

THIS BOND AND THE SERIES OF WHICH IT IS A PART are special obligations of the City that are payable from and are equally and ratably secured by a first lien on the revenues of the City's water and sewer system remaining after deduction of the operation and maintenance expenses of that system (the "Net Revenues"), as defined and provided in the Ordinance, which Net Revenues are required to be set aside and pledged to the payment of the Bonds, and all additional obligations issued on a parity therewith, in the Interest and Sinking Fund and the Reserve Fund maintained for the payment of all such bonds, all as more fully described and provided for in the Ordinance. This Bond and the series of which it is a part, together with the

interest thereon, are payable solely from such Net Revenues and do not constitute an indebtedness or general obligation of the City. This Bond is not a Reserve Fund Participant and there is no Reserve Fund requirement for the Bonds. The holder of this Bond is not entitled to demand payment of this Bond out of any money raised by taxation.

THE CITY HAS RESERVED THE RIGHT to issue additional parity revenue obligations, subject to the restrictions contained in the Ordinance, which may be equally and ratably payable from, and secured by a first lien on and pledge of, the Net Revenues in the same manner and to the same extent as this Bond and the series of which it is a part. The City has also reserved the right to issue bonds or other obligations secured in whole or in part by liens on the Net Revenues junior and subordinate to the lien on the Net Revenues securing the Bonds.

IT IS HEREBY DECLARED AND REPRESENTED that this Bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance and delivery of this Bond have been performed, existed, and been done in accordance with law; that the Bonds do not exceed any statutory limitation; and that provision has been made for the payment of the principal of and interest on this Bond and all of the Bonds by the creation of the aforesaid lien on and pledge of the Net Revenues.

IN WITNESS WHEREOF, this Bond has been signed with the manual or facsimile signature of the Mayor and countersigned with the manual or facsimile signature of the City Secretary, and the official seal of the City has been duly impressed, or placed in facsimile, on this Bond.

City Secretary
City of Alvin, Texas

Mayor
City of Alvin, Texas

[SEAL]

(b) Form of Authentication Certificate.

CERTIFICATE OF PAYING AGENT/REGISTRAR

This is one of the Bonds referred to in the within mentioned Ordinance. The series of Bonds of which this Bond is a part was originally issued as one Initial Bond which was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, D/B/A AMEGY BANK
DIVISION,
as Paying Agent/Registrar

Date: _____ By: _____

(c) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

(d) Form of Statement of Insurance.

The Bonds shall bear a Statement of Insurance in the following form:

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. (“AGM”), New York, New York, has delivered its municipal bond insurance policy (the “Policy”) with respect to the scheduled payments due of principal of and interest on this Bond to Zions Bancorporation, National Association, d/b/a Amegy Bank Division, Houston, Texas, or its successor, as paying agent for the Bonds (the “Paying Agent”). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

(e) The Initial Bond shall be in the form set forth in paragraphs (a), (c) and (d) above, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP" deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" and "at the rate shown above" shall be deleted and the following shall be inserted at the end of the first sentence "..., with such principal to be paid in installments on February 1 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:"

(Information to be inserted from schedule in Section 3.3(b) of the Ordinance)

(iii) the Initial Bond shall be numbered I-1; and

(iv) the following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bond:

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS § REGISTER NO. _____
THE STATE OF TEXAS §

I HEREBY CERTIFY THAT this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas and that this Certificate has been registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____

[SEAL]

Comptroller of Public Accounts of
the State of Texas

CERTIFICATE FOR ORDINANCE

THE STATE OF TEXAS §
COUNTY OF BRAZORIA §

We, the undersigned officers of the City Council of Alvin, Texas, hereby certify as follows:

1. The City Council of Alvin, Texas convened in a regular meeting on the 7th day of July, 2022, at the regular meeting place thereof within said City. The duly constituted officers and members of said City Council, to wit, were as follows:

| | |
|-----------------|----------------------------------------------|
| Paul Horn | Mayor |
| Gabe Adame | Mayor Pro Tem and Council Member, District E |
| Martin Vela | Council Member, District A |
| Chris Vaughn | Council Member, District B |
| Richard Garivey | Council Member, District C |
| Glenn Starkey | Council Member, District D |
| Keko Moore | Council Member At Large 1 |
| Joel Castro | Council Member At Large 2 |

and all of said persons were present, except for the following absentee(s): Joel Castro and Chris Vaughn, thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting: a written

ORDINANCE NO. 22-MM

ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF ALVIN, TEXAS,
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2022;
APPROVING RELATED AGREEMENTS; APPROVING THE PREPARATION
AND DISTRIBUTION OF AN OFFICIAL STATEMENT; AND ENACTING
OTHER PROVISIONS RELATING THERETO; AND PROVIDING FOR THE
EFFECTIVE DATE THEREOF

was duly introduced for the consideration of said City Council. It was then duly moved and seconded that said ordinance be adopted; and, after due discussion, said motion, carrying with it the adoption of said ordinance, prevailed and carried by the following vote:

 5 Member(s) shown present voted “Aye.”

 Member(s) shown present voted “No.”

 Member(s) present abstained from voting.

2. A true, full and correct copy of the aforesaid ordinance adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said

ordinance is on file in the City Council's minutes of said meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the City Council as indicated therein; that each of the officers and members of the City Council was duly and sufficiently notified, in advance, of the date, hour, place and purpose of the aforesaid meeting, and that said ordinance would be introduced and considered for adoption at said meeting; that said meeting was open to the public as required by law; and that public notice of the date, hour, place and subject of said meeting was given as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED this 7th day of July, 2022.

City Secretary
City of Alvin, Texas

[SEAL]